

HANKSVILLE TOWN
FINANCIAL STATEMENTS
JUNE 30, 2006

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Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

ACCOUNTANT'S REPORT

Honorable Mayor and Town Council
Hanksville Town
Hanksville, Utah 84734

We have compiled the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Hanksville Town as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion, or any other form of assurance, on them.

The management's discussion and analysis and budgetary comparison information, on pages 4 through 13 and 41 through 43, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.



KIMBALL & ROBERTS, P. C.
Certified Public Accountants

December 22, 2006
Richfield, Utah

HANKSVILLE TOWN MANAGEMENT'S DISCUSSION AND ANALYSIS For The Year Ended June 30, 2006

This discussion of Hanksville Town's financial performance provided an overview of the Town's financial activities for the year ending June 30, 2006. This report is in conjunction with the Town's financial statements.

The purpose of the Town is to provide general services to its residents which includes general government, public safety, highways and streets, health and welfare and culture and recreation.

Financial Highlights

- * The assets of the Town exceeded its liabilities as of the close of the most recent year by \$1,368,338 (net assets). Of this amount, \$62,025 (unrestricted net assets) which may be used to meet its ongoing obligations to citizens and creditors.
- * The government's total net assets increased by \$3,858. The revenues were more than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts in the general fund.
- * At the close of the current year, the Town's governmental fund, the general fund, reported ending fund balance of \$46,019, an increase of \$9,378 in comparison with the prior year. Approximately 57 percent of this total amount, \$26,175 is available for spending at the government's discretion (unreserved fund balance).
- * The Town's total debt decreased by \$12,654 during the current year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Town include general government, public safety, highways and streets, health and welfare and culture and recreation. The business-type activity of the Town is the water operations.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and enterprise funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Hanksville Town maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.

The Town adopts an annual appropriated budget for its governmental fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with those budgets.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary Funds

Hanksville Town maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the culinary water activities.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Hanksville Town's, assets exceeded liabilities by \$1,368,338 at the close of the most recent fiscal year. By far the largest portion of the Town's net assets (90 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Town's net assets (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$62,025, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Hanksville Town's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	46,019	36,641	39,633	106,400	85,652	143,041
Capital Assets	313,539	329,579	1,195,066	1,210,332	1,508,605	1,539,911
Total Assets	359,558	366,220	1,234,699	1,316,732	1,594,257	1,682,952
Long-Term Liabilities	-	-	266,055	291,199	266,055	291,199
Other Liabilities	-	-	16,273	27,273	16,273	27,273
Total Liabilities	-	-	282,328	318,472	282,328	318,472
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	313,539	329,579	916,521	916,620	1,230,060	1,246,199
Restricted	19,844	16,379	56,409	54,597	76,253	70,976
Unrestricted	26,175	20,262	35,850	27,043	62,025	47,305
Total Net Assets	359,558	366,220	1,008,780	998,260	1,368,338	1,364,480

Governmental Activities

Governmental activities decreased Hanksville Town's net assets by (\$4,629).

Hanksville Town Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for Services	375	4,268	40,559	38,239	40,934	42,507
Operating Grants	13,944	23,114	-	494,859	13,944	517,973
General Revenues:						
Property Taxes	8,647	6,073	-	-	8,647	6,073
Other Taxes	29,709	28,590	-	-	29,709	28,590
Impact Fees	-	-	3,050	50	3,050	50
Unrestricted Investment Earnings	3,440	1,374	1,763	2,920	5,203	4,294
Other	3,560	-	-	-	3,560	-
Total Revenues	<u>59,675</u>	<u>63,419</u>	<u>45,372</u>	<u>536,068</u>	<u>105,047</u>	<u>599,487</u>
Expenses:						
General Government	32,490	23,126	-	-	32,490	23,126
Public Safety	1,268	10,997	-	-	1,268	10,997
Highways & Streets	20,939	20,301	-	-	20,939	20,301
Health and Welfare	1,857	2,509	-	-	1,857	2,509
Culture and Recreation	9,783	11,115	-	-	9,783	11,115
Interest on Debt	-	-	5,119	5,212	5,119	5,212
Water Operations	-	-	29,733	26,033	29,733	26,033
Total Expenses	<u>66,337</u>	<u>68,048</u>	<u>34,852</u>	<u>31,245</u>	<u>101,189</u>	<u>99,293</u>
Increase in Net Assets Before Transfers	(6,662)	(4,629)	10,520	504,823	3,858	500,194
Transfers	-	-	-	-	-	-
Increase in Net Assets	(6,662)	(4,629)	10,520	504,823	3,858	500,194
Net Assets - Beginning	<u>366,220</u>	<u>370,849</u>	<u>998,260</u>	<u>493,437</u>	<u>1,364,480</u>	<u>864,286</u>
Net Assets - Ending	<u>359,558</u>	<u>366,220</u>	<u>1,008,780</u>	<u>998,260</u>	<u>1,368,338</u>	<u>1,364,480</u>

* The Town received operating grants of \$13,944. Of this amount, \$12,426 was received for Class C Roads and two separate grants from Utah Department of Transportation totaling \$1,518.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities

Business-type activities increased the Town's net assets by \$10,520. Funds are being used on a new culinary water well with pump, pump house, generator, radio telemetry system and pipeline to Town. Presently the Town has expended \$592,925 on this project, known as the Navajo Project, because the well was drilled into the Navajo strata.

* The depreciation in the enterprise fund was the same as the prior year.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, the Town's governmental fund (general fund) reported an ending fund balance of \$46,019, an increase of \$9,378 in comparison with the prior year. Approximately 57 percent of this amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund is *reserved* to indicate that it is not available for new spending because it has already been committed to highways and streets for \$19,844.

As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 52 percent of total general fund expenditures, while total fund balance represents 92 percent of that same amount.

Proprietary Funds

The Town's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the water fund at the end of the year was \$35,850. Other factors concerning the finances of this fund has already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The difference between the original and final budget in the general fund was \$4,957.

- * General government increased \$8,800.
- * Public safety decreased \$32.
- * Budgeted increase in fund balance decreased \$16,200.
- * Health and Welfare increased \$1,000.
- * Highways and Streets increased \$1,600.
- * Culture and Recreation decreased \$125.

Actual revenues were more than budgeted revenues by \$5,232 and actual expenditures were less than budgeted expenditures by \$4,146 resulting in a net increase in fund balance of \$9,378.

Capital Asset and Debt Administration

Capital Assets

Hanksville Town's investment in capital assets for its governmental activities as of June 30, 2006, was \$313,539 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads and sidewalks.

Hanksville Town's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	49,628	49,628	-	-	49,628	49,628
Infrastructure	69,036	78,451	-	-	69,036	78,451
Buildings	177,375	182,750	-	-	177,375	182,750
Equipment	-	-	900	1,100	900	1,100
Improvements	17,500	18,750	601,241	616,307	618,741	635,057
Construction In Progress	-	-	592,925	592,925	592,925	592,925
Total	313,539	329,579	1,195,066	1,210,332	1,508,605	1,539,911

Additional information on the Town's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, the Town's had total bonded debt outstanding of \$278,545. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

Hanksville Town's Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenue Bonds	-	-	278,545	291,199	278,545	291,199

State statutes limit the amount of general obligation debt a governmental entity may issue to 12 percent of its total fair market value of taxable property in the Town. The Town has no general obligation debt.

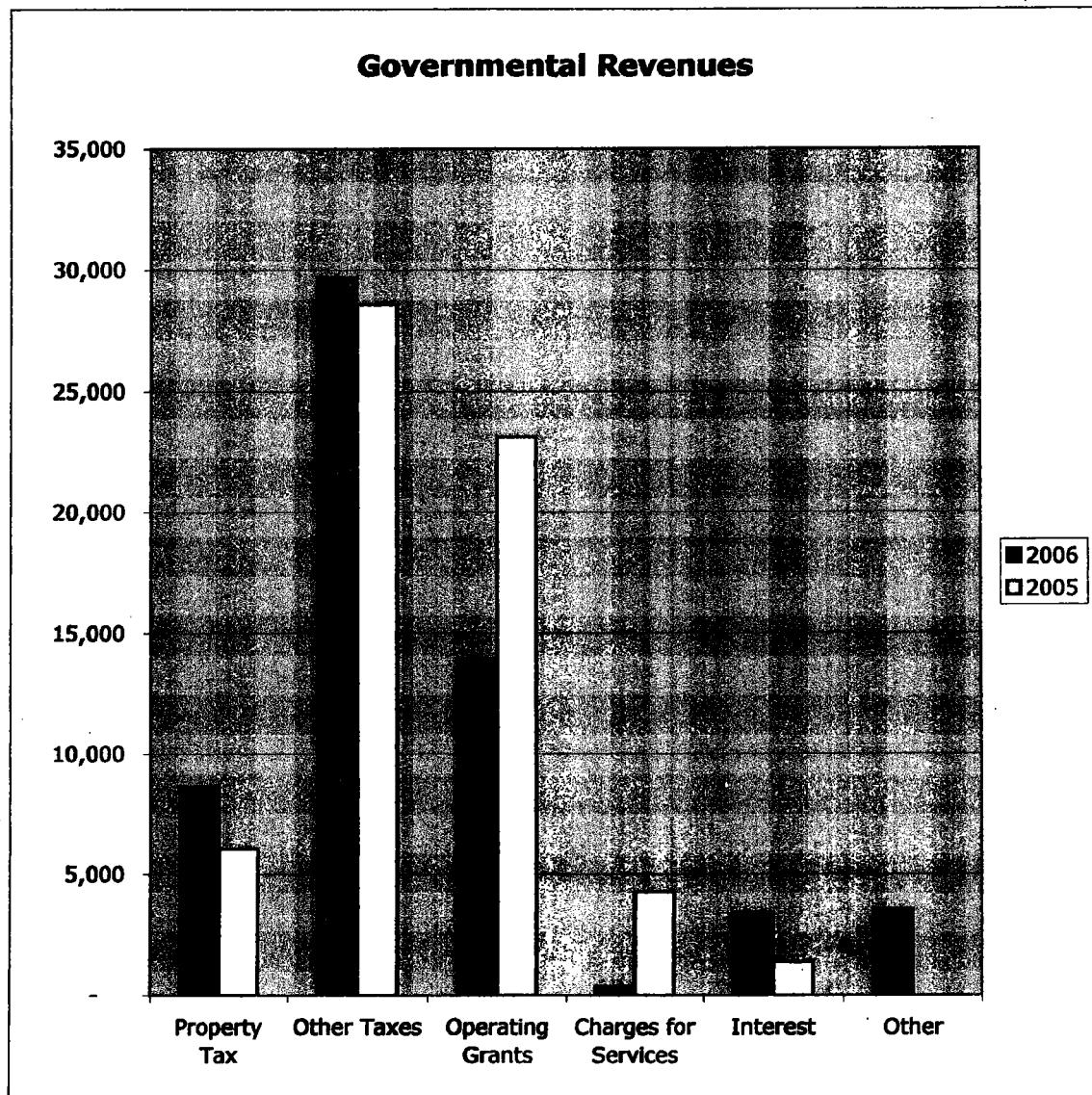
Additional information on Hanksville Town's long-term debt can be found in the notes of the financial statements.

Request for Information

This financial report is designed to provide a general overview of Hanksville Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Hanksville Town Clerk, P.O. Box 127, Hanksville, Utah 84734-0127.

**Hanksville Town
Governmental Revenues
For The Fiscal Years Ending June 30, 2006 and 2005**

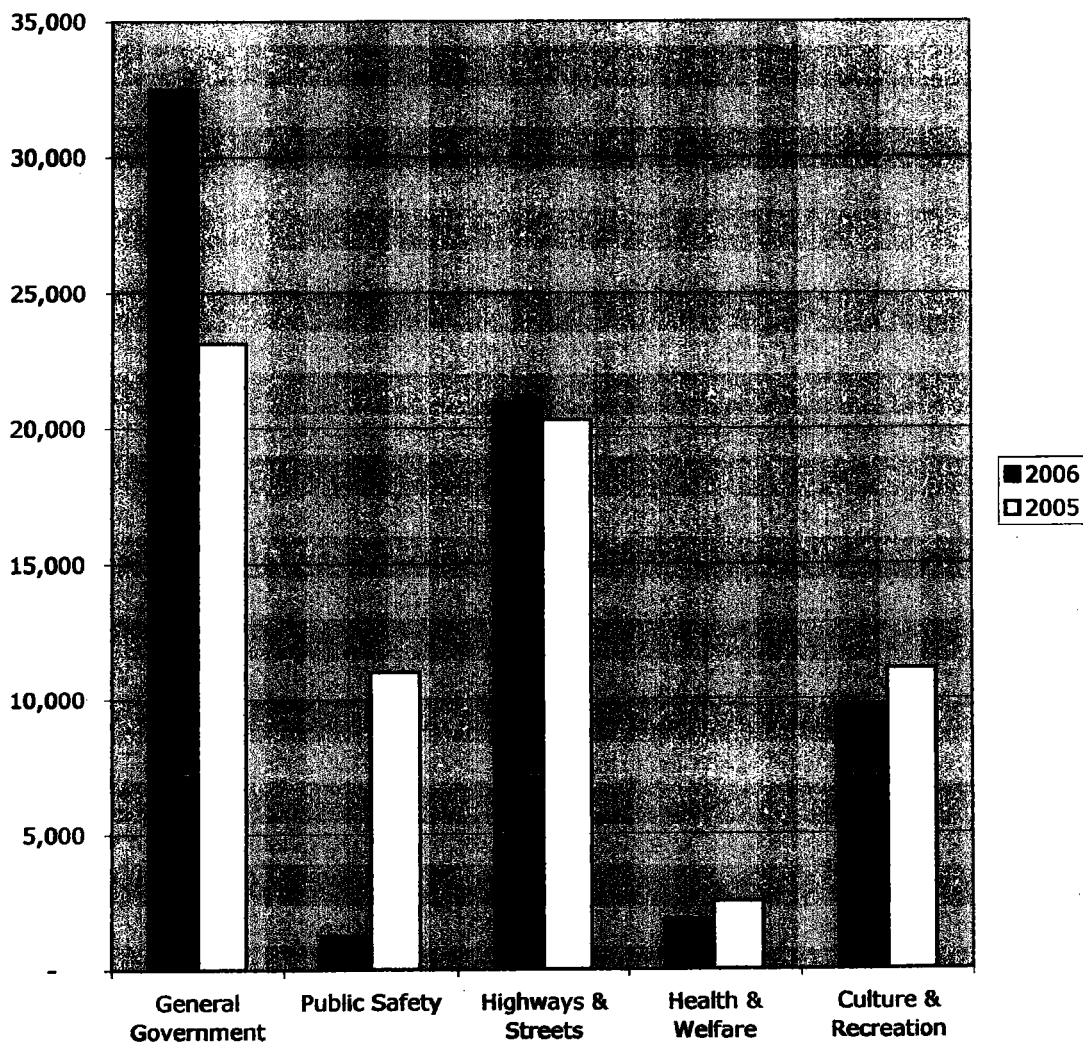
	2006	2005
Property Tax	8,647	6,073
Other Taxes	29,709	28,590
Operating Grants	13,944	23,114
Charges for Services	375	4,268
Interest	3,440	1,374
Other	3,560	-
Total Revenues	59,675	63,419



Hanksville Town
Governmental Expenditures
For The Fiscal Years Ending June 30, 2006 and 2005

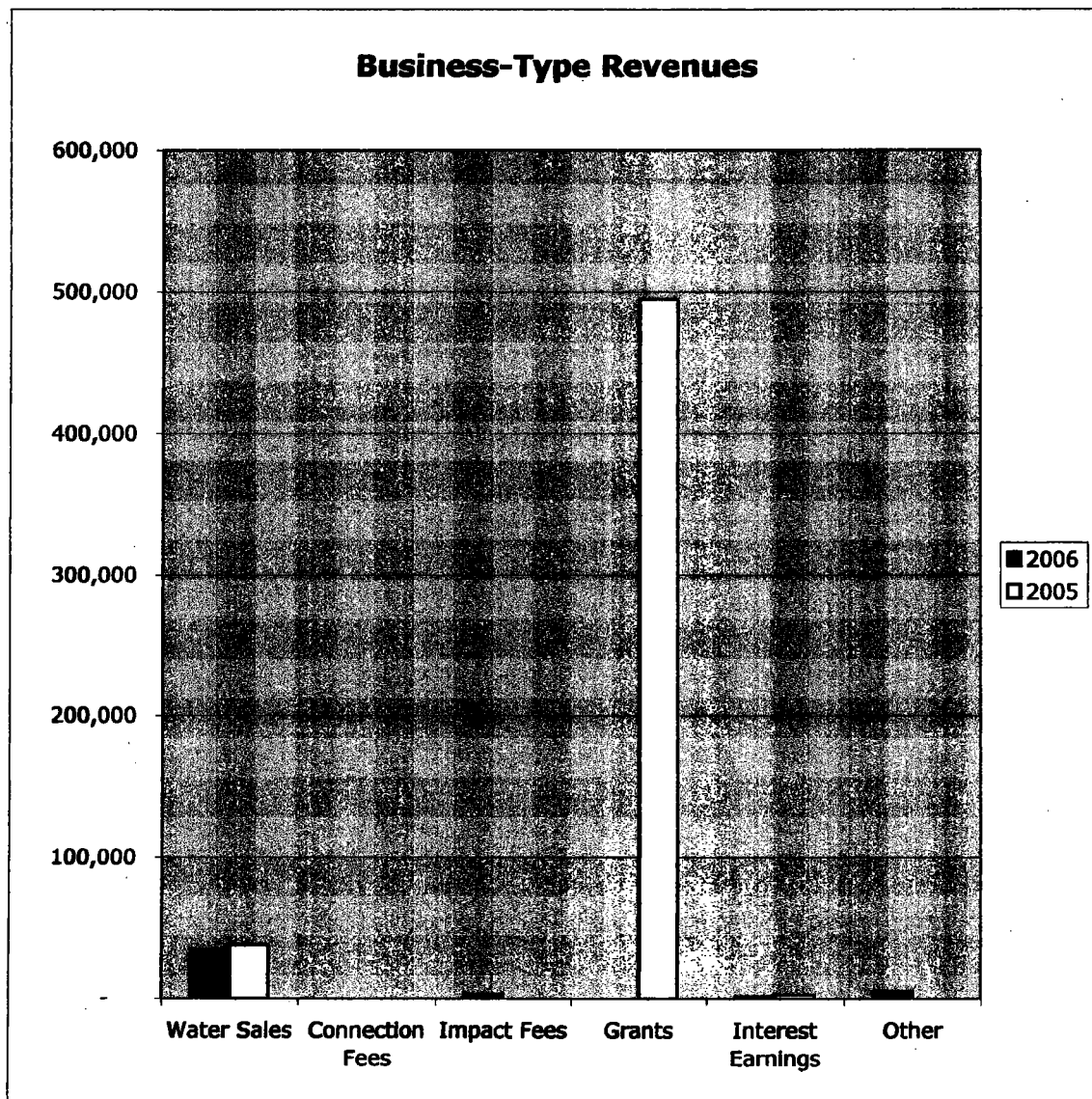
	2006	2005
General Government	32,490	23,126
Public Safety	1,268	10,997
Highways & Streets	20,939	20,301
Health & Welfare	1,857	2,509
Culture & Recreation	9,783	11,115
Total Expenditures	66,337	68,048

Governmental Expenditures



Hanksville Town
Business-Type Revenues
For The Fiscal Years Ending June 30, 2006 and 2005

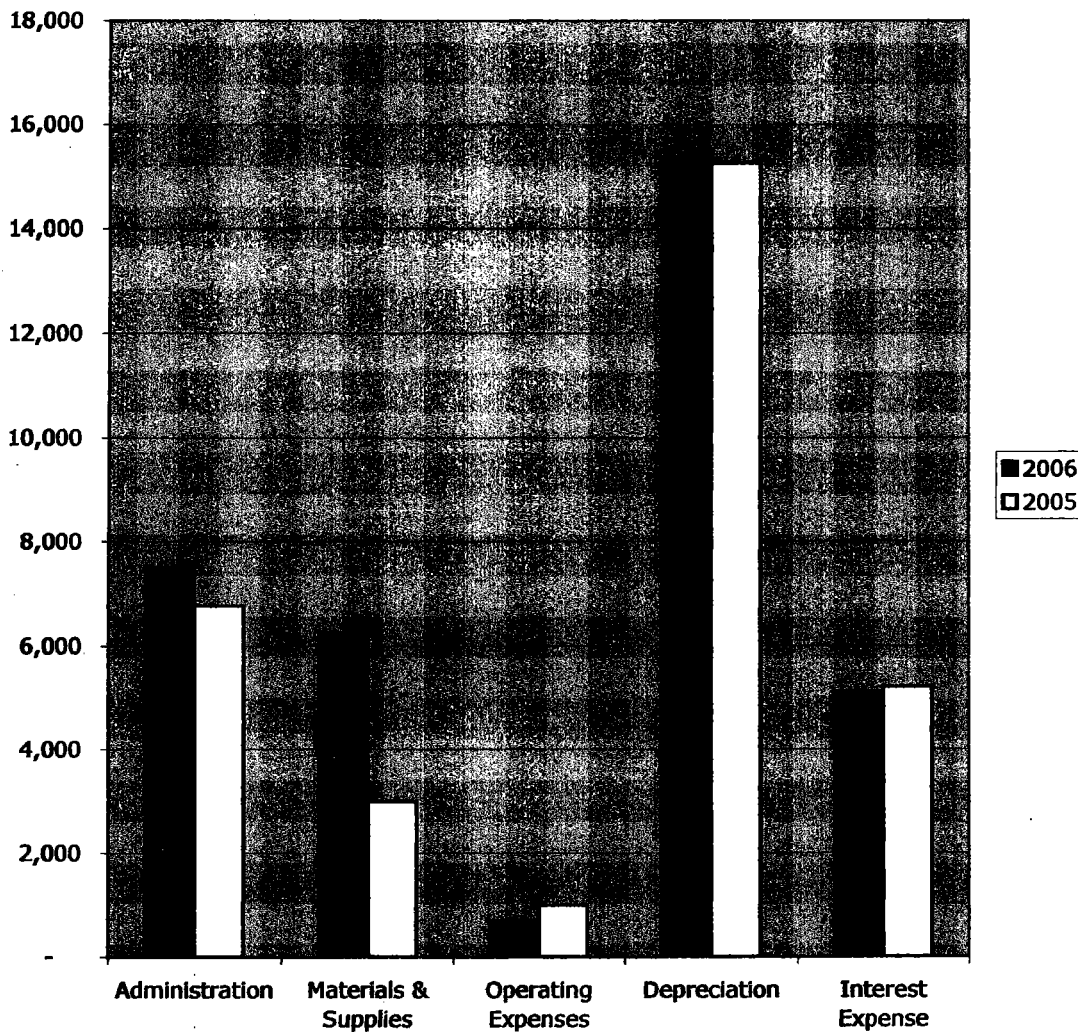
	2006	2005
Water Sales	34,973	38,189
Connection Fees	50	50
Impact Fees	3,050	50
Grants	-	494,859
Interest Earnings	1,763	2,920
Other	5,536	-
Total Revenues	45,372	536,068



Hanksville Town
Business Type Expenditures
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
Administration	7,508	6,769
Materials & Supplies	6,251	3,000
Operating Expenses	708	998
Depreciation	15,266	15,266
Interest Expense	5,119	5,212
Total Expenditures	34,852	31,245

Business-Type Expenditures



(This page contains no information and
is used to assist in formatting, for easier reading)

BASIC FINANCIAL STATEMENTS

HANKSVILLE TOWN STATEMENT OF NET ASSETS

June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	46,019	37,871	83,890
Accounts Receivable (Net)	-	1,762	1,762
Total Current Assets	46,019	39,633	85,652
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	-	56,409	56,409
Capital Assets (Net of Accumulated Depreciation):			
Land	49,628	-	49,628
Buildings	177,375	-	177,375
Improvements Other Than Buildings	17,500	-	17,500
Equipment	-	900	900
Water System	-	601,241	601,241
Infrastructure	69,036	-	69,036
Construction In Progress	-	592,925	592,925
Total Noncurrent Assets	313,539	1,251,475	1,565,014
TOTAL ASSETS	359,558	1,291,108	1,650,666
LIABILITIES			
Current Liabilities:			
Deposits Payable	-	1,386	1,386
Bond Interest Payable	-	2,397	2,397
Revenue Bonds Payable - Due Within One Year	-	12,490	12,490
Total Current Liabilities	-	16,273	16,273
Noncurrent Liabilities:			
Revenue Bonds Payable - Due More Than One Year	-	266,055	266,055
TOTAL LIABILITIES	-	282,328	282,328
NET ASSETS			
Investment in Capital Assets, Net of Debt	313,539	916,521	1,230,060
Restricted For:			
Bond Retirement	-	28,321	28,321
Construction	-	19,749	19,749
Class C Road	19,844	-	19,844
Impact Fees	-	8,339	8,339
Unrestricted	26,175	35,850	62,025
TOTAL NET ASSETS	359,558	1,008,780	1,368,338
TOTAL LIABILITIES AND NET ASSETS	359,558	1,291,108	1,650,666

See accompanying notes and accountant's report.

**HANKSVILLE TOWN
STATEMENT OF ACTIVITIES**

For The Fiscal Year Ended June 30, 2006

Function/Programs Primary Government:	Program Revenues			Net (Expense) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	32,490	375	1,518	-	(30,597)	-	(30,597)
Public Safety	1,268	-	-	-	(1,268)	-	(1,268)
Highways and Streets	20,939	-	12,426	-	(8,513)	-	(8,513)
Health and Welfare	1,857	-	-	-	(1,857)	-	(1,857)
Culture and Recreation	9,783	-	-	-	(9,783)	-	(9,783)
Interest on Debt	-	-	-	-	-	(5,119)	(5,119)
Total Governmental Activities	66,337	375	13,944	-	(52,018)	(5,119)	(57,137)
Business-Type Activities:							
Water Fund	29,733	40,559	-	-	-	10,826	10,826
Total Primary Government	96,070	40,934	13,944	-	(52,018)	5,707	(46,311)
General Revenues:							
Property Taxes					8,647	-	8,647
Other Taxes					29,709	-	29,709
Impact Fees					-	3,050	3,050
Unrestricted Investment Earnings					3,440	1,763	5,203
Other					3,560	-	3,560
Total General Revenues					45,356	4,813	50,169
Change in Net Assets					(6,662)	10,520	3,858
Net Assets - Beginning					366,220	998,260	1,364,480
Net Assets - Ending					359,558	1,008,780	1,368,338

See accompanying notes and accountant's report.

**HANKSVILLE TOWN
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2006

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	<u>46,019</u>
TOTAL ASSETS	<u><u>46,019</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities:	<u>-</u>
Fund Balances:	
Reserved For:	
Class C Road	19,844
Unreserved, Reported In:	
General Fund	<u>26,175</u>
Total Fund Balance	<u>46,019</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>46,019</u></u>

See accompanying notes and accountant's report.

HANKSVILLE TOWN
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

June 30, 2006

Total Fund Balances - Governmental Fund Types

46,019

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds:

Land	49,628
Buildings	177,375
Equipment	17,500
Infrastructure	<u>69,036</u>

Total

313,539

Net Assets of Government Activities

359,558

HANKSVILLE TOWN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2006

	<u>General Fund</u>
Revenues:	
Taxes	38,356
Licenses and Permits	1,421
Intergovernmental Revenue	13,944
Charges for Services	375
Interest	3,440
Miscellaneous Revenues	<u>2,139</u>
Total Revenues	<u>59,675</u>
Expenditures:	
Current:	
General Government	27,490
Public Safety	1,268
Highways and Streets	11,524
Health and Welfare	1,857
Culture and Recreation	<u>8,158</u>
Total Expenditures	<u>50,297</u>
Net Change In Fund Balance	9,378
Fund Balance - Beginning	<u>36,641</u>
Fund Balance - Ending	<u><u>46,019</u></u>

See accompanying notes and accountant's report.

HANKSVILLE TOWN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities
are different because:

Net Changes in Fund Balances - Total Governmental Funds	9,378
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Governmental funds report capital outlays as expenditures. However, in
the statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlays exceeded depreciation in the current period:

Depreciation Expense	<u>(16,040)</u>
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Changes In Net Assets of Governmental Activities	<u><u>(6,662)</u></u>
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**HANKSVILLE TOWN
STATEMENT OF NET ASSETS
PROPRIETARY FUND**

June 30, 2006

	Business-Type Activity Enterprise
	<u>Water Fund</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	37,871
Accounts Receivable (Net)	<u>1,762</u>
Total Current Assets	<u>39,633</u>
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	56,409
Capital Assets: (Net of Accum. Depr.)	
Equipment	900
Water System	601,241
Construction In Progress	<u>592,925</u>
Total Noncurrent Assets	<u>1,251,475</u>
TOTAL ASSETS	<u><u>1,291,108</u></u>
LIABILITIES:	
Current Liabilities:	
Deposits Payable	1,386
Bond Interest Payable	2,397
Bonds Payable - Current Portion	<u>12,490</u>
Total Current Liabilities	<u>16,273</u>
Noncurrent Liabilities:	
Bonds Payable - Long-Term Portion	<u>266,055</u>
TOTAL LIABILITIES	<u>282,328</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	916,521
Restricted For:	
Bond Retirement	28,321
Construction	19,749
Impact Fees	8,339
Unrestricted	<u>35,850</u>
TOTAL NET ASSETS	<u>1,008,780</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1,291,108</u></u>

See accompanying notes and accountant's report.

HANKSVILLE TOWN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

June 30, 2006

	Business-Type Activity Enterprise
	<u>Water Fund</u>
Operating Revenues:	
Charges for Sales and Services:	
Water	34,973
Water Connection Fees	50
Other	<u>5,536</u>
Total Operating Revenues	<u>40,559</u>
Operating Expenses:	
Administration	7,508
Materials and Supplies	6,251
Other	708
Depreciation	<u>15,266</u>
Total Operating Expenses	<u>29,733</u>
Operating Income	<u>10,826</u>
Nonoperating Revenues (Expenses):	
Investment Earnings	1,763
Impact Fees	3,050
Interest Expense	<u>(5,119)</u>
Total Nonoperating Revenues (Expenses)	<u>(306)</u>
Change in Net Assets	10,520
Total Net Assets - Beginning	<u>998,260</u>
Total Net Assets - Ending	<u><u>1,008,780</u></u>

See accompanying notes and accountant's report.

**HANKSVILLE TOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

June 30, 2006

	Business-Type Activity Enterprise
	<u>Water Fund</u>
Cash Flows From Operating Activities:	
Receipts From Customers	42,705
Payments to Suppliers	(6,959)
Payments to Employees	<u>(7,508)</u>
Net Cash Provided by Operating Activities	<u>28,238</u>
Cash Flows From Capital and Related Financing Activities:	
Principal Paid on Capital Debt	(12,654)
Interest Paid on Capital Debt	<u>(5,235)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(17,889)</u>
Cash Flows from Investing Activities:	
Interest Received	1,763
Impact Fees	<u>3,050</u>
Net Cash Provided (Used) by Investing Activities	<u>4,813</u>
Net Increase (Decrease) in Cash and Cash Equivalents	15,162
Cash and Cash Equivalents - Beginning	<u>79,118</u>
Cash and Cash Equivalents - Ending	<u><u>94,280</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:	
Operating Income	<u>10,826</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:	
Depreciation	15,266
Increase (Decrease) in Operating Assets:	
Accounts Receivable	1,146
Due from Other Governmental Units	24,374
Accounts Payable	(24,374)
Deposits Payable	<u>1,000</u>
Total Adjustments	<u>17,412</u>
Net Cash Provided (Used) by Operating Activities	<u><u>28,238</u></u>

See accompanying notes and accountant's report.

**HANKSVILLE TOWN
NOTES TO FINANCIAL STATEMENTS**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Hanksville Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2006.

The following is a summary of the more significant policies:

A. Reporting Entity

Hanksville Town is a municipal corporation in Wayne County, Utah. It is governed by an elected mayor and four member board. As required by generally accepted accounting principles, these financial statements are of the primary government, the Town of Hanksville, the reporting entity. The Town has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

HANKSVILLE TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Hanksville Town considers revenues to be available if they are collected within 60 day of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Government reports the following Proprietary Funds:

The Utility Funds accounts for the activities of the Town water operations. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

HANKSVILLE TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

HANKSVILLE TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment of the primary government is depreciated using the straight line method the following estimated useful lives:

Water System	50 Years
Vehicles	10 Years
Equipment	10 Years

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Property Taxes

Property taxes are assessed and collected for the Town by Wayne County and remitted to the Town shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

HANKSVILLE TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgets and Budgetary Accounting:

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and Town Board on or before June 22 for the following Fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the Town Board at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the Town's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Some Towns find themselves with a deficit fund balance in one or more of their funds. The State Auditor has taken the position that a deficit, created by expenditures being made in excess of those budgeted, is an illegally created debit in violation of the Utah Constitution, Section XIV(3). As such, the total illegally created deficit should be budgeted to be made up in the following fiscal year. Deficits arising from emergencies are not illegal and may be retired over 5 years. Maximum in the general funds may not exceed 75% of the total estimated revenue of the general fund.

Once adopted, the budget may be amended by the Town council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

NOTE 2 - DEPOSITS AND INVESTMENTS

Hanksville Town maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

Deposits:

At year end, the carrying amount of the Town's deposits was \$4,500 and the bank balance was \$5,883. All of the bank balance was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

HANKSVILLE TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and investments as of June 30, 2006, consist of the following:

	<u>Fair Value</u>
Demand Deposits - Check	4,500
Investment - PTIF	<u>135,799</u>
Total Cash and Investments	<u><u>140,299</u></u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	46,019
Business-Type Activities - Unrestricted	37,871
Business-Type Activities - Restricted	<u>56,409</u>
Total Cash and Cash Equivalents	<u><u>140,299</u></u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that Town funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.

PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

HANKSVILLE TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits and investments for local government are governed by the UMMA (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council. Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk:

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$0 of the local government's bank balances of \$5,883 were uninsured and uncollateralized.

Credit Risk:

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the UMMA.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the local governments has investments of \$135,799 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the UMMA. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

HANKSVILLE TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk:

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

NOTE 3 - BOND RESERVES

The Parity Water Revenue Bond, Series 2000A, held by the Utah Drinking Water Board, has two reserve and replacement requirements:

1. Parity Revenue Bond requires a reserve account in the amount of \$5,350 to be funded in 120 monthly payments of \$44.59. Monthly deposits began one month after the closing on May 18, 2000. The balance at June 30, 2006 is \$3,255.
2. Capital Facilities Replacement Fund for the series 2000A Bond is an annual deposit equal to 5% of the total operating budget of the System. The first installment is payable on the anniversary date of the issuance of the Bond and continues until the bond is redeemed. For purposes of this provision the annual operating budget will include debt service and depreciation. The balance at June 30, 2006 is \$10,066.

The Parity Revenue Bond, Series 2000B, held by Permanent Community Impact Fund Board has one reserve requirement. A reserve of \$10,000 is to be funded over a period of 72 months. The monthly requirement is \$138.89. Deposits began one month after the closing on May 18, 2000. The balance at June 30, 2006 is \$10,000. The reserve is fully funded

The Parity Revenue Bond, Series 2004, held by Permanent Community Impact Fund Board has one reserve requirement. A reserve of \$4,000 is to be funded over a period of 72 months. The monthly requirement is \$55.56. Deposits began one month after the closing on December 9, 2004. The balance at June 30, 2006 is \$1,000.

The Parity Revenue Bond, Series 2004, held by Permanent Community Impact Fund Board has a sinking fund requirement. A reserve of \$4,000 is to be funded over a period of 12 months. The monthly requirement is \$333.34. Bond payments are due July 1 of each year for 25 years. The balance at June 30, 2006 is \$4,000. The reserve is fully funded.

The total bond reserves at June 30, 2006 is \$28,321.

HANKSVILLE TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	45,500	-	-	45,500
Land Under Roads	<u>4,128</u>	<u>-</u>	<u>-</u>	<u>4,128</u>
 Total Capital Assets Not Being Depreciated	 <u>49,628</u>	 <u>-</u>	 <u>-</u>	 <u>49,628</u>
Capital Assets Being Depreciated:				
Buildings	215,000	-	-	215,000
Improvements	25,000	-	-	25,000
Infrastructure	<u>188,295</u>	<u>-</u>	<u>-</u>	<u>188,295</u>
 Total Capital Assets Being Depreciated	 <u>428,295</u>	 <u>-</u>	 <u>-</u>	 <u>428,295</u>
Less Accumulated Depreciation For:				
Buildings	32,250	5,375	-	37,625
Improvements	6,250	1,250	-	7,500
Infrastructure	<u>109,844</u>	<u>9,415</u>	<u>-</u>	<u>119,259</u>
 Total Accumulated Depreciation	 <u>148,344</u>	 <u>16,040</u>	 <u>-</u>	 <u>164,384</u>
 Total Capital Assets Being Depreciated (Net)	 <u>279,951</u>	 <u>(16,040)</u>	 <u>-</u>	 <u>263,911</u>
 Governmental Activities Capital Assets, Net	 <u>329,579</u>	 <u>(16,040)</u>	 <u>-</u>	 <u>313,539</u>

HANKSVILLE TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Equipment	12,000	-	-	12,000
Water System	753,302	-	-	753,302
Construction In Progress	<u>592,925</u>	<u>-</u>	<u>-</u>	<u>592,925</u>
 Total Capital Assets Being Depreciated	<u>1,358,227</u>	<u>-</u>	<u>-</u>	<u>1,358,227</u>
 Less Accumulated Depreciation For:				
Equipment	10,900	200	-	11,100
Water System	<u>136,995</u>	<u>15,066</u>	<u>-</u>	<u>152,061</u>
 Total Accumulated Depreciation	<u>147,895</u>	<u>15,266</u>	<u>-</u>	<u>163,161</u>
 Total Capital Assets Being Depreciated (Net)	<u>1,210,332</u>	<u>(15,266)</u>	<u>-</u>	<u>1,195,066</u>
 Business Type Activities Capital Assets, Net	<u>1,210,332</u>	<u>(15,266)</u>	<u>-</u>	<u>1,195,066</u>
 Total Capital Assets	<u><u>1,539,911</u></u>	<u><u>(31,306)</u></u>	<u><u>-</u></u>	<u><u>1,508,605</u></u>

Depreciation expense was charged to functions of the Primary Government as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
General Government	5,000	-	5,000
Highways and Streets	9,415	-	9,415
Health and Welfare	1,625	-	1,625
Water Fund	<u>-</u>	<u>15,266</u>	<u>15,266</u>
 Total Depreciation Expense	<u><u>16,040</u></u>	<u><u>15,266</u></u>	<u><u>31,306</u></u>

HANKSVILLE TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 5 - CONSTRUCTION IN PROGRESS

During the year the Town began a project to drill a water well, construct a well house with pump, a radio telemetry system, generator and pipeline to deliver water to the Town. The funding for this project is from the following sources:

A grant from the Permanent Community Impact Board	200,000
A 0% loan from the Permanent Community Impact Board	100,000
A grant from Rural Development (USDA)	<u>325,000</u>
Total Funding	<u><u>625,000</u></u>

NOTE 6 - LONG-TERM DEBT

Bonds Payable:

Parity Water Revenue Bonds, Series 2000A:

On May 18, 2000, the Town obtained a Parity Water Revenue Bond, Series 2000A from Utah Drinking Water Board. The bond is for \$75,000 with an interest rate of 3%. Payments are due January 1 of each year starting 2002 and continuing until 2022. The balance at June 30, 2006 is \$60,000.

The following is a summary of debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006-2007	3,000	1,800	4,800
2007-2008	3,000	1,710	4,710
2008-2009	3,000	1,620	4,620
2009-2010	3,000	1,530	4,530
2010-2011	3,000	1,440	4,440
2012-2016	20,000	5,550	25,550
2017-2021	<u>25,000</u>	<u>2,700</u>	<u>27,700</u>
Total	<u><u>60,000</u></u>	<u><u>16,350</u></u>	<u><u>76,350</u></u>

Parity Water Revenue Bonds, Series 2000B:

On May 18, 2000, the Town obtained a Parity Water Revenue Bond, Series 2000A from the Permanent Community Impact Fund Board. The bond is for \$150,000 with an interest rate of 2.5%. Payments are due January 1 of each year starting 2002 and continuing until 2022. The balance at June 30, 2006, is \$122,545.

HANKSVILLE TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006-2007	5,940	3,060	9,000
2007-2008	6,088	2,912	9,000
2008-2009	6,241	2,759	9,000
2009-2010	6,397	2,603	9,000
2010-2011	6,557	2,443	9,000
2012-2016	44,953	11,047	56,000
2017-2021	46,369	3,512	49,881
Total	<u>122,545</u>	<u>28,336</u>	<u>150,881</u>

Parity Water Revenue Bonds, Series 2004:

In 2004 the Town obtained a Parity Water Revenue Bond, Series 2004 from the Permanent Community Impact Fund Board. The bond is for \$100,000 with an interest rate of 0%. Payments are due July 1 of each year starting 2005 and continuing until 2029. The balance at June 30, 2006 is \$96,000.

The following is a summary of debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006-2007	4,000	-	4,000
2007-2008	4,000	-	4,000
2008-2009	4,000	-	4,000
2009-2010	4,000	-	4,000
2010-2011	4,000	-	4,000
2012-2016	20,000	-	20,000
2017-2021	20,000	-	20,000
2022-2026	20,000	-	20,000
2027-2031	16,000	-	16,000
Total	<u>96,000</u>	<u>-</u>	<u>96,000</u>

HANKSVILLE TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a schedule of changes in long-term debt:

	Date of Issue	Interest Rate	Total Authorized	Outstanding June 30, 2005	Current Year Changes		Outstanding June 30, 2006
					Issued	Matured	
Bonds Issued:							
Parity Revenue Bonds Series 2000A	2000	3%	75,000	63,000	-	3,000	60,000
Parity Revenue Bonds Series 2000B	2000	2.5%	150,000	128,199	-	5,654	122,545
Parity Revenue Bonds Series 2004	2004	0%	100,000	100,000	-	4,000	96,000
Total Long-Term Debt			325,000	291,199	-	12,654	278,545

HANKSVILLE TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of debt service on Parity Water Revenue Bonds payable to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006-2007	12,940	4,860	17,800
2007-2008	13,088	4,622	17,710
2008-2009	13,241	4,379	17,620
2009-2010	13,397	4,133	17,530
2010-2011	13,557	3,883	17,440
2012-2016	84,953	16,597	101,550
2017-2021	91,369	6,212	97,581
2022-2026	20,000	-	20,000
2027-2031	16,000	-	16,000
	<u>278,545</u>	<u>44,686</u>	<u>323,231</u>
Total			

NOTE 7 - IMPACT FEE

The Town adopted an impact fee ordinance on February 17, 2000, pursuant to the general police power, the authority granted to cities and towns by the state constitution and Utah Code Annotated 1953, as amended, Sections 11-36-101 through 11-36-30.

The purpose of this ordinance is that existing as well as new development pay for the fair share of public facilities through the imposition of impact fees which will be used to finance, defray or reimburse the Town for all or a portion of the costs of public facilities which serve such development. The amount of the impact fee is calculated based on the impact of new development on public facilities.

Until and unless modified by a subsequent resolution by the Town Council, an impact fee of \$1,350 per ERC (Equivalent Residential Unit) will be imposed with respect to any new development to be connected to the water system.

Impact fees will be collected by the Town Clerk at the time and as a condition of issuance of a building permit. Connection fees will be collected at the time of application for connection to the system.

Total impact fees collected to date is \$8,339. This amount is shown as "Reserved for Impact Fees" in retained earnings of the Water Fund. The following is a schedule of fees collected :

HANKSVILLE TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 7 - IMPACT FEE (CONTINUED)

The following is a schedule of fees collected :

<u>Year</u>	<u>Amount</u>
2002-2003	4,200
2003-2004	776
2004-2005	50
2005-2006	3,050
Accrued Interest	<u>263</u>
 Total Impact Fees	 <u><u>8,339</u></u>

NOTE 8 - CLASS C ROAD

The following is a schedule of changes in Class C Road reserved fund balance:

Balance - Beginning of Year	<u>16,379</u>
Receipts:	
State Allotments	12,426
Interest Earnings	<u>1,128</u>
 Total Receipts	 <u>13,554</u>
Disbursements:	
Maintenance	<u>(10,089)</u>
 Balance - End of Year	 <u><u>19,844</u></u>

NOTE 9 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The town participates in the Utah Local Governments Trust. The insurance coverage's are written on a group purchase arrangement. All of the insurance coverage is brokered and written through various insurance companies. Utah Local Government Trust acts as the broker.

Liability:

The Town is insured for \$2,000,000 combined single limit with no deductible per occurrence for Comprehensive General Liability. Bodily injury, personal injury, property damage, public officials errors and omissions coverage \$2,000,000 aggregate each policy period with no deductible each accident.

HANKSVILLE TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 9 - RISK MANAGEMENT (CONTINUED)

Automobile Liability:

The Town is insured for automobile bodily injury for \$2,000,000 combined single limit per accident with no deductible each accident. Property damage \$2,000,000 aggregate each policy period. The coverage also covers uninsured motorist \$50,000 each accident and \$50,000 each policy period.

Workers Compensation:

This coverage is provided through the Workers Compensation Fund of Utah.

The Town has not experienced any significant reduction in insurance coverage from the previous year nor has it paid any settlements in excess of insurance coverage in the past three fiscal years.

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**HANKSVILLE TOWN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

For The Fiscal Year Ended June 30, 2006

Budgetary Comparison Schedules:

The Budgetary Comparison Schedules presented in this section of the report are for the Town's General Fund.

Budgeting and Budgetary Control:

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the Town Board prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Board through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

**HANKSVILLE TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	<u>Positive</u> <u>(Negative)</u>
Revenues:				
Taxes:				
General Property Taxes	5,500	5,500	8,647	3,147
General Sales and Use Taxes	31,000	27,000	26,755	(245)
Transient Room Tax	6,000	3,000	2,954	(46)
Total Taxes	42,500	35,500	38,356	2,856
Licenses and Permits:				
Business Licenses	1,200	900	1,421	521
Intergovernmental Revenue:				
Class C Road	12,000	12,000	12,426	426
State Liquor Allotment	1,300	1,268	1,268	-
Local Grants	-	-	250	250
Total Intergovernmental Revenue	13,300	13,268	13,944	676
Charges for Services:				
Cemetery	-	375	375	-
Miscellaneous Revenue:				
Interest	700	2,500	3,440	940
Other	1,700	1,900	2,139	239
Total Miscellaneous Revenue	2,400	4,400	5,579	1,179
Total Revenues	59,400	54,443	59,675	5,232
Expenditures:				
General Government:				
Administration	8,500	8,500	8,338	162
Professional	1,900	2,700	2,700	-
Elections	-	1,000	901	99
Other	10,000	17,000	15,551	1,449
Total General Government	20,400	29,200	27,490	1,710

**HANKSVILLE TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued):				
Public Safety:				
Sheriff	<u>1,300</u>	<u>1,268</u>	<u>1,268</u>	<u>-</u>
Highway and Streets:				
Repairs and Maintenance	<u>6,500</u>	<u>6,600</u>	<u>6,524</u>	<u>76</u>
Salaries and Wages	<u>3,500</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total Highways and Public Improvements	<u>10,000</u>	<u>11,600</u>	<u>11,524</u>	<u>76</u>
Culture and Recreation:				
Culture and Recreation	<u>5,000</u>	<u>4,600</u>	<u>3,861</u>	<u>739</u>
Cemetery	<u>500</u>	<u>775</u>	<u>597</u>	<u>178</u>
Parks	<u>4,000</u>	<u>4,000</u>	<u>3,700</u>	<u>300</u>
Total Culture and Recreation	<u>9,500</u>	<u>9,375</u>	<u>8,158</u>	<u>1,217</u>
Health and Welfare	<u>2,000</u>	<u>3,000</u>	<u>1,857</u>	<u>1,143</u>
Nondepartmental:				
Budgeted Increase in Fund Balance	<u>16,200</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>59,400</u>	<u>54,443</u>	<u>50,297</u>	<u>4,146</u>
Excess Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>9,378</u>	<u>9,378</u>
Fund Balance - Beginning			<u>36,641</u>	
Fund Balance - Ending			<u>46,019</u>	

**HANKSVILLE TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
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**HANKSVILLE TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
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BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
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**HANKSVILLE TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

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**HANKSVILLE TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

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**HANKSVILLE TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
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**HANKSVILLE TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

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**HANKSVILLE TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

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Total Culture and Recreation	<u>9,500</u>	<u>9,375</u>	<u>8,158</u>	<u>1,217</u>
Health and Welfare	<u>2,000</u>	<u>3,000</u>	<u>1,857</u>	<u>1,143</u>
Nondepartmental:				
Budgeted Increase in Fund Balance	<u>16,200</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>59,400</u>	<u>54,443</u>	<u>50,297</u>	<u>4,146</u>
Excess Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>9,378</u>	<u>9,378</u>
Fund Balance - Beginning			<u>36,641</u>	
Fund Balance - Ending			<u>46,019</u>	

**HANKSVILLE TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued):				
Public Safety:				
Sheriff	<u>1,300</u>	<u>1,268</u>	<u>1,268</u>	<u>-</u>
Highway and Streets:				
Repairs and Maintenance	<u>6,500</u>	<u>6,600</u>	<u>6,524</u>	<u>76</u>
Salaries and Wages	<u>3,500</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total Highways and Public Improvements	<u>10,000</u>	<u>11,600</u>	<u>11,524</u>	<u>76</u>
Culture and Recreation:				
Culture and Recreation	<u>5,000</u>	<u>4,600</u>	<u>3,861</u>	<u>739</u>
Cemetery	<u>500</u>	<u>775</u>	<u>597</u>	<u>178</u>
Parks	<u>4,000</u>	<u>4,000</u>	<u>3,700</u>	<u>300</u>
Total Culture and Recreation	<u>9,500</u>	<u>9,375</u>	<u>8,158</u>	<u>1,217</u>
Health and Welfare	<u>2,000</u>	<u>3,000</u>	<u>1,857</u>	<u>1,143</u>
Nondepartmental:				
Budgeted Increase in Fund Balance	<u>16,200</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>59,400</u>	<u>54,443</u>	<u>50,297</u>	<u>4,146</u>
Excess Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>9,378</u>	<u>9,378</u>
Fund Balance - Beginning			<u>36,641</u>	
Fund Balance - Ending			<u>46,019</u>	